Industry attempting to block medicine price regulation

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MEDICINES are essential for the sick or injured, and can be a matter of life and death. It is not an ordinary commodity but a necessity for survival or recovery.

However, access to life-saving medicines can face the barrier of affordability because, unfortunately, medicine pricing in Malaysia is currently totally unregulated.

A 2019 study by University of Malaya revealed that 72% of cancer patients experienced financial catastrophe during the first year of treatment in private hospitals, while one-third of households became impoverished.

Cancer medicines are very well known to have exorbitant price tags, and mark-ups by the private hospitals on the originator drugs and generic drugs are also well-studied. Affordable medicines are a challenge if we leave it entirely to the market.

In April 2019, the cabinet approved the Medicines Price Mechanism policy proposal tabled by the Health Ministry (MOH) in collaboration with the Domestic Trade and Consumer Affairs Ministry. Under the first phase of the policy implementation, the government will impose an upper limit of mark-ups at the wholesale and retail levels in a regressive manner (higher priced items will have a smaller mark-up for the upper limit), for about 600 single-sourced prescription medicines. But almost three years later, the policy still has not yet been implemented.

Recently, I was shocked to discover that certain vested interests in the private healthcare and pharmaceutical sectors, who have strong objections to the policy, managed to persuade the International Trade and Industry Ministry

(Miti) to have a go at conducting a cost-benefit assessment (CBA) on the medicines pricing policy's impact on private healthcare.

On November 29, the preliminary findings of the study were uploaded to the UPC (Unified Public Consultation) website of the Malaysian Productivity Corporation (MPC). The presentation of the findings was conducted via Zoom using the Webinar format on December 1, in which participants were restricted to typing questions in the Q&A box without being able to see each other's questions or find out who else was present in the meeting.

The so-called public consultation lasted about one hour, with many questions left unanswered or not adequately addressed. Some participants resorted to the Zoom Chat box to share their comments.

One of the most pertinent questions is the identity of the so-called Third Party Independent Consultant and the funder(s) behind the study. It was not revealed throughout the meeting nor in the document despite being repeatedly asked by a number of participants. What is the point of having public consultation then?

What I found most troubling was the direct involvement of the major private sector players in the steering committee and technical committee for this CBA study: the Pharmaceutical Association of Malaysia (Phama) comprising multinational companies, the Malaysian Organisation of Pharmaceutical Industries (Mopi), the Association of Private Hospitals of Malaysia (APHM), Malaysian Medical Association (MMA) and even the Pharmaceutical Research & Manufacturers of America (PHRMA) – they all have direct interest in stopping or reversing the new policy.

Should this not already raise the red flag of conflict of interest? Not surprisingly, the preliminary findings eventually produced questionable results, indicating the big negative impacts to the economy, especially to the private sector themselves.

However, the preliminary findings were just numbers presented without showing the supporting data and calculation processes. The methodology of the study was also sketchy in its details, and the interview questionnaire used by the consultant was not known.

Among the “expert interviews”, no one represents the consumer’s interests, and in response to which patient advocacy groups were interviewed, the answer was patients under patient-assisted programmes sponsored by pharmaceutical companies (meaning, they already have access to the medicines concerned at some reduced cost).

What is of concern is that the CBA might have misrepresented the Health Ministry’s original proposed mechanism, such as reducing the regressive mark-up (10-35% in four categories) to just two categories, hence exaggerating the price impact.

The study also showed the impact of “discount on cost of therapy” to B40-M40-T20 households. This is misleading because the proposed mechanism is a regulation of the mark-up upper limit, and not giving a “discount”. In fact, the medicine prices could also go up for some cases in the beginning, a possibility that the ministry presented in its own extensive consultations in 2019/2020.

There also seems to be an intent to divide the income groups, pit B40 households against M40 and T20 in order to show the benefits will go most to the T20. But even M40 and T20 households do not deserve to be overcharged or exploited for the industry’s greed.

The study might also miss the point that when medicine prices become more affordable and accessible to the B40, the utilisation volume will go up as well. In any event, the B40 relies on the public health system while the price regulation mechanism seeks to particularly reduce out-of-pocket expenses for the rakyat.

Probably the two most controversial and bold claims in the preliminary findings attributed to the Medicines Price Mechanism policy are: 1. It is said that there will be a 35-40% total drop in private hospital revenue. According to the Malaysia National Health Accounts 2020 preliminary data, private hospitals had contributed a total of RM14.55 billion in health expenditure in 2020. If the claim of a 35% hospital revenue drop was true, this means RM5 billion per year is forgone! Is this the admission of private hospitals that RM5 billion is the amount they have overcharged their patients following implementation of the new policy?

Secondly it was claimed that 33% or 2,600 private clinics will close. How does the study arrive at this number?

Hence, it is in the best interests of the public to examine the full study, especially to validate the numbers, methodology and the interview questionnaire involved.

The preliminary findings in the study also tells us that many healthcare travellers will not come to Malaysia, hence causing economic loss. This is contrary to our general expectation that the lowering of medicine prices would give Malaysia a competitive edge, vis-à-vis Thailand, in the region.

The basic assumption of the study is that Malaysia will lose 10-35% of new drug launch/access resulting in a drop of 54% in incoming healthcare travellers coming. Is the assumption plausible? Given the MOH's new policy to regulate the mark-up for the upper limit only for the wholesalers and retailers, the fact remains that medicine manufacturers can still declare their preferred price for sale in Malaysia. So why wouldn't they come to a market known for its demand?

Lastly, the Medicines Price Mechanism policy is a matter of public health and consumer price. Hence, under the policy purview and jurisdiction of MOH and the domestic trade and consumer affairs ministry. Miti should not overstep its own boundaries and competence and dictate the policy direction of other ministries. This industry-driven CBA study sets a dangerous trend, shows precedence to commercial interests, and subverts the decision already made by the cabinet.

Forget about the CBA's self-claimed virtues of being "independent", "data-driven", "comprehensive" and "unbiased". What was presented to the public is the opposite.

The Medicines Price Mechanism policy, in the long term, can ensure fair and transparent medicine pricing for patients in Malaysia. It is not true that the policy does not allow wholesalers and retailers to make profits.

Excessive profit at the cost of people's health and lives is what the policy helps to safeguard against. Narrow, vested interests for profiteering should not trump public interest, let alone people's health and lives. – December 7, 2021.

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